Includes a valuable Guide to Using DUN & BRADSTREET EXPORT SURVEY (See Pg. 13)

A SUPPLEMENT TO
DISTRIBUTION
THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE

Fall MaiLit 91

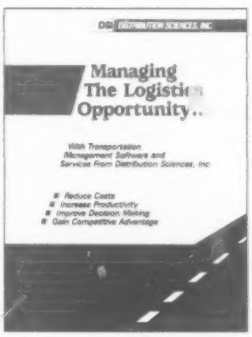
DISTRIBUTION has prepared this review of current literature to help you keep abreast of some of the latest new products and services for the transportation/distribution market.

To obtain FREE copies of these brochures, circle the corresponding numbers on the enclosed postpaid card, fill in the address information, and mail it. The materials will be sent directly to you by the individual companies.

An extra reply card is enclosed—why not pass it along to an associate?

ASSOCIATED PARTSTOCK® is a unique inventory distribution system offered by **Associated Distribution Logistics**, one of the world's fastest growing third party logistics firms. It features a flexible nationwide network of local depots that lets you stock parts closer to where you'll need them—for faster, more reliable delivery to customers 24 hours a day, 365 days a year, along with lower freight and inventory costs. New booklet provides full details.

Write in 901 on reader service card

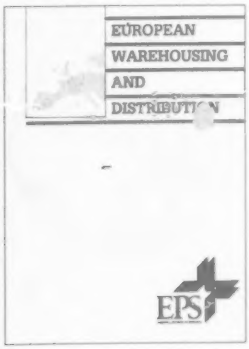

DSI DISTRIBUTION SCIENCES, INC.
Managing The Logistics Opportunity..
With Transportation Management Software and Services From Distribution Sciences, Inc.
Reduce Costs
Increase Productivity
Improve Decision Making
Gain Competitive Advantage

Find out about **DSI's** TRANSPORTATION SOFTWARE SERIES—Base Rate, Match Pay, and PreShipment Planning—the leading mainframe software products for:

- auditing and paying freight bills (EDI)
- allocating freight cars
- accrual reporting
- routing/carrier selection
- order consolidationg
- freight rating/rate management

And learn how many manufacturers and retailers achieved cost savings up to 15% and productivity improvements up to 80%.

Write in 902 on reader service card



EPS are already supplying THIRD PARTY LOGISTICS services to many American companies including:—

- Dow Corning
- IBM
- Prime Computer
- Commodore Computers
- Honeywell Controls
- St Jude Medical

EPS provides dedicated warehousing, packing, subassembly and distribution in the UK and mainland Europe. Benefits of these partnerships include excellent end customer service, reduced headcount, inventory control and cost effectiveness.

Write in 903 on reader service card

CRST introduces "THE RELIABILITY TEAM" in a new brochure that details how shippers can obtain reliable, quality service on long-haul deliveries with team drivers. **CRST** is the only major truckload carrier that uses two drivers on every longhaul. Teams enable **CRST** to provide customers with on-time pick up and coast-to-coast delivery in less than 60 hours.

Write in 904 on reader service card

TRADE BARRIERS A DRAG ON EXPORTS

If exports are to continue providing strong support for economic recovery, increasing emphasis must be placed on the structural, rather than economic, barriers to international trade.

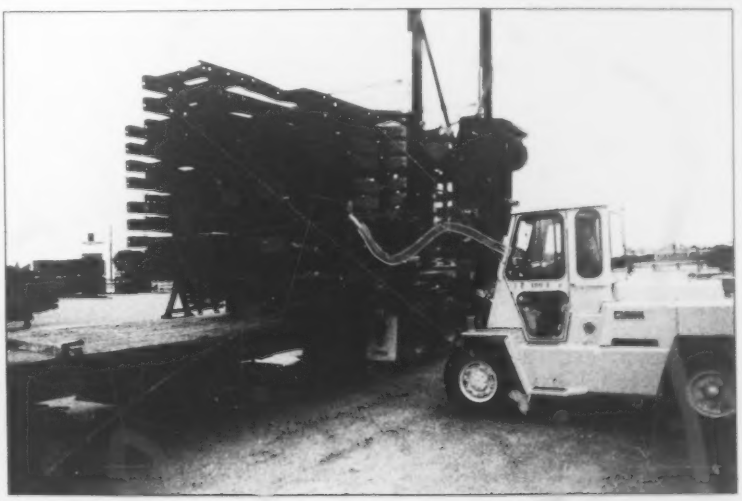
By Joseph W. Duncan & Douglas P. Handler

The results of the May 1991 Dun's 5,000 Export Survey indicate that the outlook for increased exports remains strong, although not as strong as last year. In addition, the survey indicates that the global economic environment for U.S. exports will be less hospitable in the coming year. Adverse changes in structural and economic conditions facing U.S. exporters will result in fewer firms exporting fewer goods and services over the next year.

The Dun's 5,000 surveys are annual topical surveys on business conditions in the United States. The sample of 5,000 firms is selected and weighted so that it is statistically representative of the entire population of U.S. businesses.

The key points covered in the current survey include:

- About half of all firms expect to increase exports over the coming 12 months—down from 1990's 64 percent. Given the slower, but steady growth in exports seen recently, the results imply that this trend will continue.
- The proportion of all firms that export within the business population declined in the past year.
- Yet, these exporters are shipping their wares to a more varied set of destinations.
- The larger firms and firms in the manufacturing sector have the greater propensity to export.
- Structural considerations, such as trade restrictions or obtaining trade data, are at least as important as economic factors in hindering many firms' export efforts.
- Only 1.0 percent of firms that currently do not export have any plans to do so in the coming year.



The U.S. economy needs more export activity to rebound, but according to the D&B survey, fewer firms will export in 1992.

The Nature of U.S. Exports

Since 1986, in volume terms, over half of all growth in economy has been attributable to gains in exports. In 1990, the share of economic growth from exports was well over 90 percent. This means that the perfor-

continued

mance of the domestic economy was even more sluggish than the mediocre aggregate growth numbers of the past two years imply. Thus, the strength of the recovery from the recession depends heavily on the rapid growth of exports.

To sustain this growth, a multisectoral effort is needed. In 1990, U.S. exports totaled $673 billion in goods and services (in current dollars). About 60 percent of this sum was merchandise. Such heavy capital goods as machinery or transportation equipment, and industrial supplies like chemicals or raw materials, comprise the lion's share of goods exports. Consumer products and foodstuffs each constitutes a 10 percent share of merchandise exports.

Fig. 1

U.S. exports totaled $673 billion and included a broad range of goods and services. Manufactured goods account for the vast majority of U.S. exports.

On the services side, about half of services exports is factor income, i.e., income payments earned abroad by U.S. individuals and corporations. These are treated as exports since they involve inflows of capital to the U.S. the same as when payment is made for any type of merchandise sent outside U.S. borders. The other half of service exports involves items, such as business or telecommunications services, insurance, travel services or foreign students' tuition in the United States.

Who's Doing the Exporting

In the 1991 survey, among firms that export, 50 percent of all firms expected their exports to increase over the next 12 months, down from 64 percent in 1990's Dun's 5,000 survey. With the recent modest growth in U.S. exports seen in the past few months, the result implies a continuations of this trend. In this year's survey, transportation and public utility firms were the most optimistic, with 63 percent of all firms expecting higher exports. In contrast, 55 percent of wholesale and retail firms, and 52 percent of manufacturing firms anticipated higher exports.

Among larger firms, i.e., businesses with more than 10,000 employees, 57 percent were more likely to expect increased exports, compared with only 41 percent of firms with fewer than 100 employees.

In 1991, only [illegible] percent of the Dun's 5,000 respondents exported any goods or services, compared with 18 percent in 1990. Using earlier D&B studies that tabulated firm size characteristics, these shares imply that there are between 650,000 to 750,000 exporting firms in the U.S. The share of firms that export by industry and employment size are shown in Figures 1 and 2.

In Figure 1, there are many reasons why the share of exporters is small for some industries. For many firms, such as restaurants or construction contractors, exporting is simply not feasible given the small average size of such firms, the nature of their product or the strictly local orientation of their business. Other businesses, such as farms, may be indirect exporters, selling their goods to a wholesaler, who, in turn, sells to a non-U.S. customer.

In Figure 2, since 98 percent of all firms have fewer than 100 employees, the fact that only 5.9 percent of all firms in this category export many be misleading. In fact, this group

comprises the vast majority of exporters.

Impediments to Export Growth

Firms in the Dun's 5,000 sample were also asked about impediments to their companies' export programs. Multiple responses were allowed. Among the choices presented to the respondents, the greatest perceived impediment was "trade barriers imposed by other countries," noted by 45 percent of all respondents. A distant second was exchange rate fluctuations at 24 percent. Third, mentioned by 16 percent of the survey respondents, was the unavailability of foreign trade data, U.S. export limitations and restrictions was mentioned by only 14 percent of those surveyed and the inability to receive export financing was cited by only 11 percent of exporters.

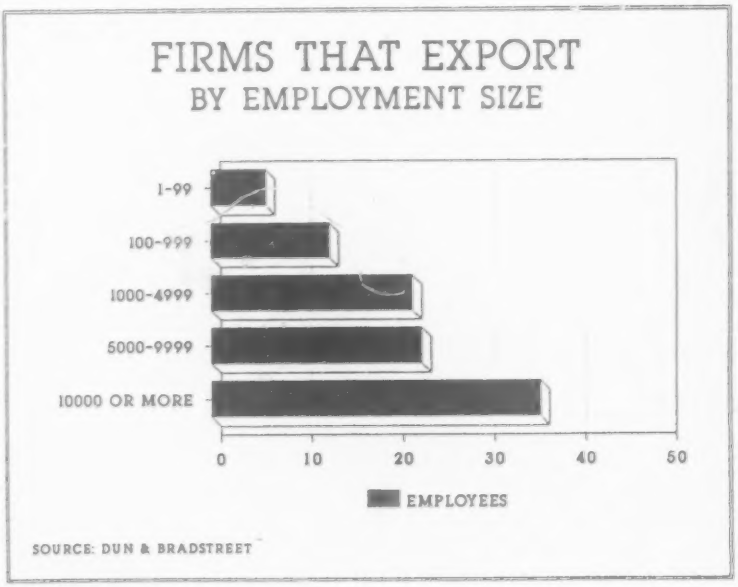
The responses to this question indicate that one of the reasons for the dimmer export picture may be at least as structural as economic. Of course, weaker demand for U.S.-made goods in Europe, Canada and Japan, areas where economic slowdowns are occurring or expected is a major contributor. But worldwide protectionist policies, whether real or merely threatened, are also hampering exporters' plans to expand.

In addition, the larger the firm, the more likely trade barriers were mentioned as a problem, cited by only 21 percent of all firms with fewer than 100 employees, but by 64 percent of firms with greater than 10,000 employees. Thus, smaller firms, which are more likely to serve niche markets with less local competition, tend not to feel the brunt of trade restrictions imposed by other countries. Larger firms, which are more of a competitive threat to industries in other countries, must indeed keep an eye on the trading rules and customs of their customer countries.

In light of the huge increase in the dollar in the first part of this year, especially against many European currencies, it is initially surprising that so few respondents mentioned exchange-rate risk as a major impediment. However, currency risk can be minimized by the use of currency-hedging tools, pricing in dollars or selling to such countries as Canada, where U.S. dollar exchange-rates are relatively stable.

Other notable results include the fact the unavailability of trade data was cited by many more service sector firms than manufacturers, although this problem was cited by fewer than a quarter of all service sector businesses. Also, the inability to receive export financing was reported to be more of a problem for larger firms than smaller ones, although, again, few respondents cited export financing as a problem.

Fig. 2



While about 35 percent of the largest companies in the U.S. export, the majority of exporters are companies with fewer than 100 employees.

Export Destinations Diversifying

Even though the prospect for continued strong export growth is diminished, the destinations of U.S. exports has been significantly diversified in the past year, as seen in Table I.

Because fewer exporters are actively exporting, this suggests that the remaining exporters are much

continued

Table 1

EXPORT DESTINATIONS

Country or Region	Share of Firms 1990	1991
Canada	75.6%	79.2%
Western Europe	66.3	78.4
Pacific Basin (other than Japan)	60.1	68.9
Japan	48.8	62.3
Mexico	51.5	55.9
Central/South America	45.2	51.3
Eastern Europe/USSR	22.8	37.7

more diversified in their export destinations. Canada and Western Europe remained the top two export destinations in the 1991 Dun's 5,000 survey, despite economic downturns in these areas. This suggests that economic growth in a country is not a prerequisite for market penetration by U.S. firms. Exporters can grow by capturing increased market shares in other countries rather than tapping new markets fostered by economic growth.

However, economic growth does make an exporter's job easier. The share of U.S. exporters shipping to fast-growing non-Japanese Pacific Basin markets, and Japan itself, increased dramatically. In fact, more exporters reported that they ship goods or services to Japan than to Mexico. The share of firms reporting dealings with Latin America and the formerly communist areas of Europe increased, as well.

Non-Exporters' Prospects Dim

Among the firms who classified themselves as non-exporters, only 1.0 percent of these firms intend to start exporting in the next 12 months, down from 2.5 percent in the 1990 survey. This decline in the share of potential exporters implies that a large and increasing share of the export growth over the next year or two will involve firms that are already exporting. In addition, the discouragement seen in firms that export is even more prevalent among the non-exporters. When asked if their firm was too small to export, only 16 percent of all non-exporters answered yes, down from 45 percent one year ago. Thus, non-exporters probably see many of the same problems and have the same fears as exporters.

Implications for the Future

Overall, fewer firms will be exporting in the coming 12 months and, of these firms, a smaller share is expecting to increase exports. However, the remaining exporters are doing business with more countries in more regions. The Dun's 5,000 Export Survey cannot say whether this is a result of firms seeking out more profitable regions or a statement that firms prospering via exports do so by exporting to a wide variety of countries. Most likely, both statements are true.

In any event, for export growth to continue, this diversification trend forces an increasing emphasis to be placed or the rules of international trade rather than economic circumstances. Fortunately, the implementation of the U.S.-Canadian Free Trade Agreement, the likelihood of a similar agreement with the Europe, and the possibility of successful GATT (General Agreement on Trade and Tariffs) negotiations will all help to create conditions conducive to this export growth. With economic growth in the U.S. currently so dependent on exports, the success of these trade initiatives is imperative. ■

Joseph W. Duncan is vice president, corporate economist and chief statistician, and Douglas P. Handler is manager of econometric analysis in the Economic Analysis Department of The Dun & Bradstreet Corporation (212-593-4173).